AR29

Canadian Manoir

INDUSTRIES LIMITED

54

Annual Report 1974

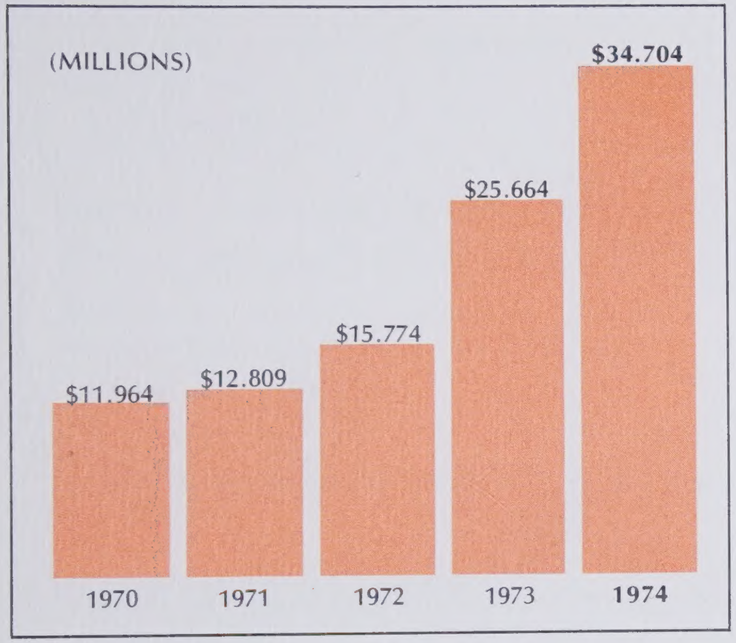
Five-year statistical review

	1970	1971	1972	1973	1974
Revenue	$11,964,205	$12,808,707	$15,774,390	$25,664,024	**$34,704,345**
Net Income	747,907	819,125	966,768	1,549,007	**2,332,304**
Earnings Per Share	45¢	50¢	59¢	94¢	**1.41**
Total Assets	5,627,803	5,941,200	6,242,129	12,675,328	**15,706,102**
Working Capital	1,927,798	2,452,439	2,833,820	3,792,839	**5,250,736**
Tangible Equity Per Share	1.67	1.74	2.33	2.74	**3.95**

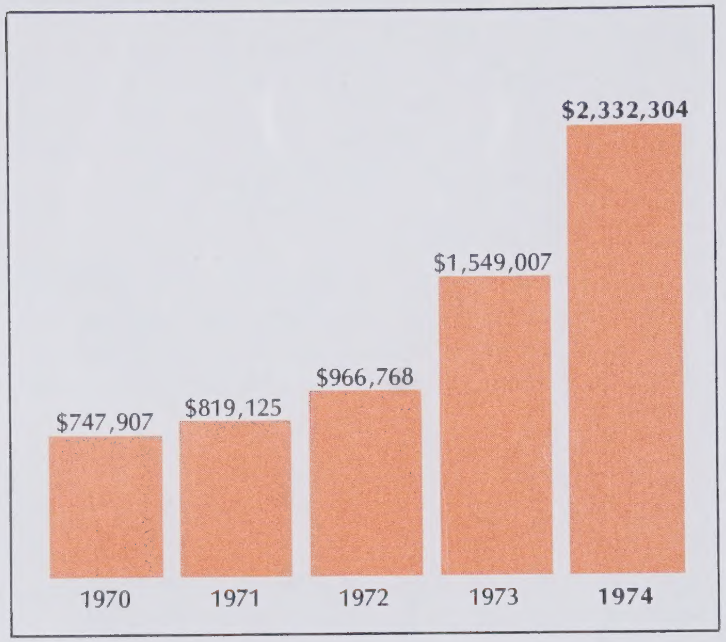
Highlights

	UP	FROM	TO
Revenue	35.2%	$25,664,024	**$34,704,345**
Net Income	50.6%	1,549,007	**2,332,304**
Working Capital	38.4%	3,792,839	**5,250,736**
Earnings Per Share	50.0%	94¢	**1.41**
Tangible Equity Per Share	44.2%	2.74	**3.95**

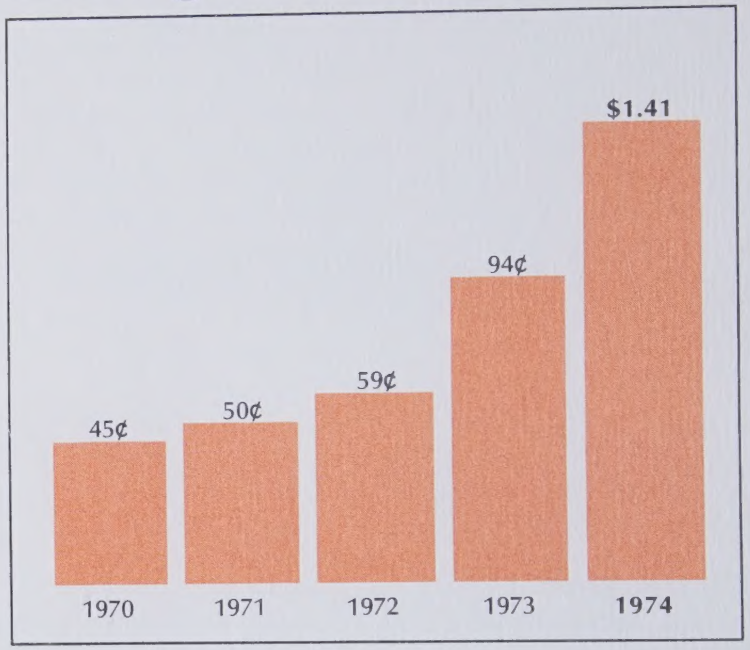
Revenue



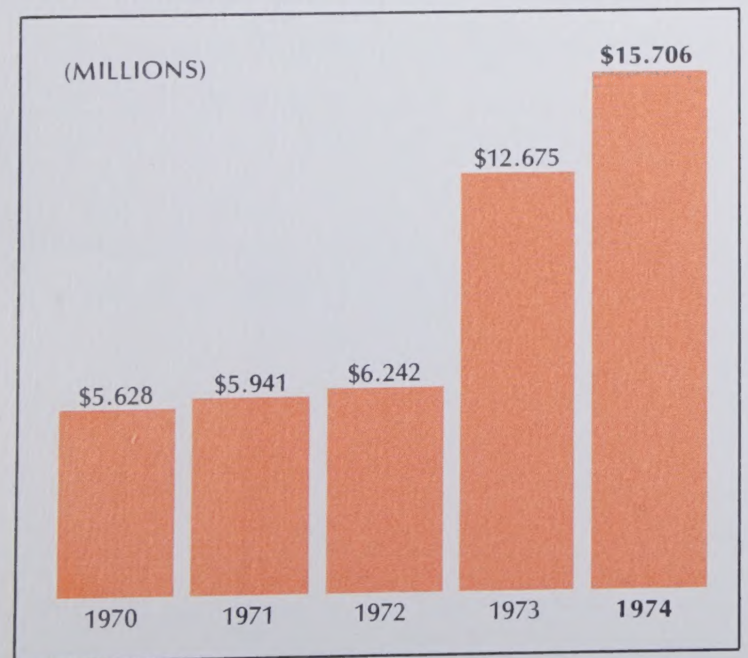
Net Income



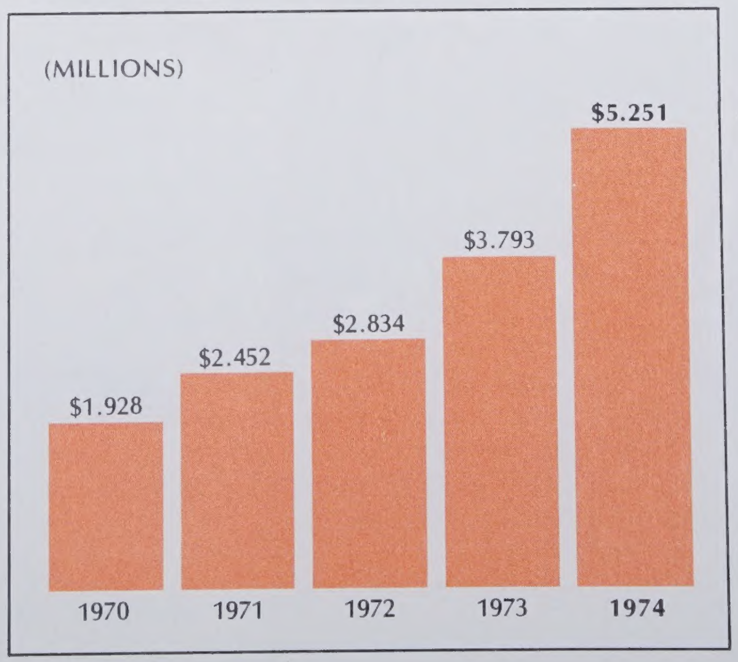
Earnings Per Share



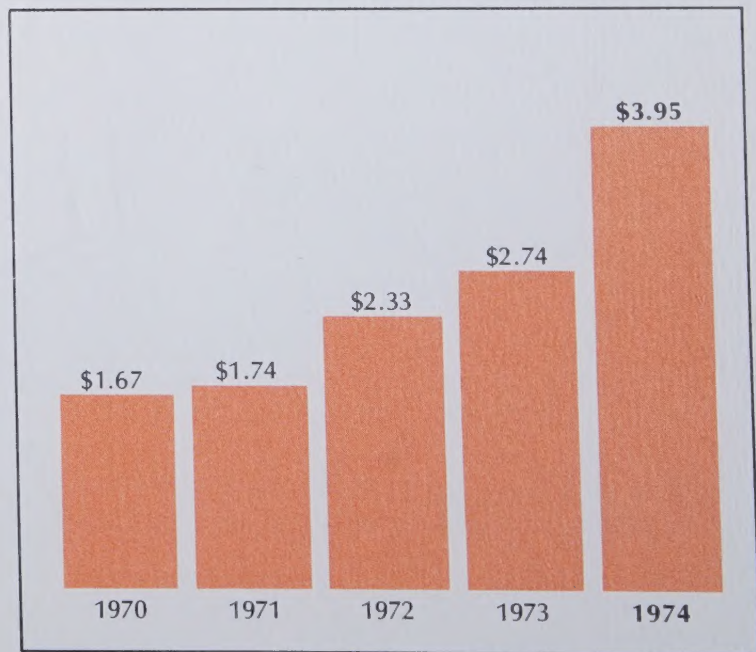
Total Assets



Working Capital



Tangible Equity Per Share



President's letter

1974 was once again an excellent year for the Group and the results significantly exceeded our expectations. It was also a troublesome year during which we saw the economy go from explosive growth to recession very rapidly.

As the five-year statistical review shows, our Group has achieved consistently good growth. During this five-year period the annual average compounded rate of growth for revenue was 32.0%, for net income 34.6%, for earnings per share 34.6% and for tangible equity per share 25%.

In 1969 when we planned the years ahead we set ourselves a target of an increase in net income of 20% per annum and it is gratifying that we were able to do so much better.

FINANCIAL

We entered 1974 in a strong financial position and ended the year further strengthened.

FUNDS generated internally increased by 44.5% to $2,670,095 from $1,848,047 in 1973.

WORKING CAPITAL showed an increase of 38.4% from $3,792,839 to $5,250,736 in 1974.

RETURN ON SHAREHOLDERS' EQUITY was 42.2% as against 37.1% in 1973.

TAX-PAID DIVIDENDS were increased during the year to 17¢ per share from 13¢ in 1973. As at December 1974 our company had approximately 1,200 shareholders, 95.3% of the shares being held in Canada.

NET INCOME as a percentage of dollar revenue amounted to 6.7% as against 6.0% in 1973. This is a particularly noteworthy achievement in view of the rapidly escalating costs during the year. Further, in view of the currency depreciation, uncertain equity markets and the generally increasing pressures on liquidity it is essential for the Group to maintain and increase its internally generated funds to enable us to continue our growth curve.

At the close of 1974 the Company is in an enviably strong financial position which will allow us to take advantage of opportunities which may present themselves in 1975.

MANUFACTURING

Our home freezer operation was able to maintain good levels of activity throughout the year and we anticipate demand to continue as long as the consumer is faced with rising food prices.

1974 was our first full year of operation of the two furnace manufacturing companies we acquired in 1973. The results were very satisfactory and we anticipate good levels of contribution for the coming year due to the product mix we manufacture and distribute.

TRADING

Our compressor sales operations went from excess demand to softness in demand at the end of the year. This swing was more pronounced in the United States, where we are a marginal supplier, than in Canada. We experienced a good year; the last quarter, however, saw a reduced level of sales. Volume in 1975 will closely relate to consumer buying of major appliances. This entity, however, is so structured that even a reduced level of volume will allow it to continue to operate profitably.

The novelty and giftware importing operation felt the benefit of the ground work carried out in 1973 and attained excellent levels of revenue and income. Due to the nature of the merchandise handled by this company, we feel that it may well benefit from changing consumer spending patterns.

SERVICES

The advertising related services both in Canada and the United States had a disappointing year. Indications are that advertising activity is now picking up and we look for improved results in 1975.

Despite the prevailing uncertain economic conditions I look for 1975 to be a satisfactory year.

Pat Clever

Consolidated Statement of Income

For the year ended December 31, 1974
(with comparative figures for the preceding year)

	1974	1973
REVENUE FROM SALES AND SERVICES (Note 7)	$34,704,345	$25,664,024
COST OF SALES AND SERVICES	25,748,460	19,579,461
Gross profit	$ 8,955,885	$ 6,084,563
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8)	4,455,312	3,198,100
Income before provision for income taxes	$ 4,500,573	$ 2,886,463
PROVISION FOR INCOME TAXES (Note 1)	2,168,269	1,337,456
Net income for the year	$ 2,332,304	$ 1,549,007
EARNINGS PER SHARE (Note 1)	$1.41	94¢

The accompanying notes to consolidated financial statements are an integral part of this statement.

Auditors' Report

To the Shareholders of
Canadian Manoir Industries Limited:

We have examined the consolidated balance sheet of CANADIAN MANOIR INDUSTRIES LIMITED (a Canada corporation) AND SUBSIDIARIES as of December 31, 1974, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Canadian Manoir Industries Limited and Subsidiaries as of December 31, 1974, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Signed: ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

Toronto, Ontario
March 4, 1975.

CANADIAN MANOIR INDUSTRIES LIMITED
and subsidiaries

Consolidated Balance Sheet

December 31, 1974
(with comparative figures for the preceding year)

Assets

	1974	1973
CURRENT ASSETS:		
Cash and deposit receipts	$ 757,061	$ 515,852
Receivables (Note 2)	4,268,206	4,049,633
Inventories (Notes 1 and 2)	8,014,152	5,617,023
Prepaid expenses	113,801	92,788
Total current assets	$13,153,220	$10,275,296
PROPERTY, PLANT AND EQUIPMENT, at cost (Notes 2, 3 and 6):		
Land	$ 90,745	$ 90,745
Buildings	1,869,007	1,605,489
Equipment	2,463,420	2,292,538
Leasehold improvements	338,111	337,608
	$ 4,761,283	$ 4,326,380
Less—Accumulated depreciation and amortization (Note 1)	2,208,401	1,926,348
	$ 2,552,882	$ 2,400,032
	$15,706,102	$12,675,328

Approved on behalf of the Board:
(Signed) Pat Clever, Director
(Signed) D. L. Sinclair, Director

Liabilities

	1974	1973
CURRENT LIABILITIES:		
Bank advances (Note 2)	**$ 2,116,122**	$ 532,694
Payables and accrued liabilities	**4,223,451**	4,738,730
Income taxes (Note 1)	**850,953**	582,868
Estimated liability for warranties	**287,958**	204,165
Current portion of long-term debt (Note 3)	**424,000**	424,000
Total current liabilities	**$ 7,902,484**	$ 6,482,457
LONG-TERM DEBT, less current portion included above (Notes 2 and 3)	**$ 1,152,000**	$ 1,576,000
DEFERRED INCOME TAXES (Note 1)	**$ 127,200**	$ 98,209
SHAREHOLDERS' EQUITY, per accompanying statement	**$ 6,524,418**	$ 4,518,662
	$15,706,102	$12,675,328
Tangible equity per issued common share	**$3.95**	$2.74

The accompanying notes to consolidated financial statements are an integral part of this balance sheet.

Consolidated Statement of Shareholders' Equity

for the year ended December 31, 1974
(with comparative figures for the preceding year)

	1974	1973
CAPITAL STOCK (Note 4):		
Authorized — 3,000,000 common shares, par value $1.00 each		
Issued — 1,653,280 (1,651,480 in 1973) shares	$1,653,280	$1,651,480
CONTRIBUTED SURPLUS:		
Balance, beginning of year	$ 80,924	$ 68,774
Add — Excess of issue price over par value of common shares (Note 4)	2,250	12,150
Balance, end of year	$ 83,174	$ 80,924
RETAINED EARNINGS:		
Balance, beginning of year	$2,786,258	$2,015,393
Add —		
Net income for the year	$2,332,304	$1,549,007
Transfer from capital surplus	—	103,550
	$2,332,304	$1,652,557
Deduct —		
Tax-paid dividends of 17¢ per share (1973 — 13¢)	$ 281,008	$ 214,002
Tax paid on portion of 1971 undistributed income on hand	49,590	85,823
Write-off of goodwill, net of income tax effect (Note 1)	—	581,867
	$ 330,598	$ 881,692
Balance, end of year	$4,787,964	$2,786,258
SHAREHOLDERS' EQUITY	$6,524,418	$4,518,662

The accompanying notes to consolidated financial statements are integral part of this statement.

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1974
(with comparative figures for the preceding year)

	1974	1973
WORKING CAPITAL, beginning of year	$3,792,839	$2,833,820
SOURCE OF FUNDS:		
Operations—		
Net income for the year	$2,332,304	$1,549,007
Charges not requiring an outlay of funds—		
Depreciation and amortization	308,800	249,328
Increase in deferred income taxes (Note 1)	28,991	49,712
	$2,670,095	$1,848,047
Issue of common shares (Note 4)	4,050	21,870
Increase in long-term debt (Note 3)	—	1,248,000
	$2,674,145	$3,117,917
APPLICATION OF FUNDS:		
Acquisition of businesses during the year, less net current assets acquired (Note 1)	$ —	$1,616,217
Additions to property, plant and equipment, net	461,650	242,856
Decrease in long-term debt (Note 3)	424,000	—
Tax-paid dividends	281,008	214,002
Tax paid on portion of 1971 undistributed income on hand	49,590	85,823
	$1,216,248	$2,158,898
Increase in working capital	$1,457,897	$ 959,019
WORKING CAPITAL, end of year	$5,250,736	$3,792,839

The accompanying notes to consolidated financial statements are an integral part of this statement.

CANADIAN MANOIR INDUSTRIES LIMITED
and subsidiaries

Notes

TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1974

1. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Principles of Consolidation

(i) The financial statements of Canadian Manoir Industries Limited (the "Company") as of December 31, 1974, are consolidated with those of its subsidiaries:

Companies	Divisions
Manufacturing	
Duo-Heet Distributors Limited	Duo-Matic Division of General Freezer Limited
General Freezer Limited	
Ideal ABC Limited	
W. H. Olsen Manufacturing Company Limited	
Trading	
Kates International Corporation Ltd.	Manoir International Division of Mouton Processors Limited (Note 5)
Manoir International, Inc.	
Maso Import Ltd.	
Mouton Processors Limited	
Service	
Atlas Customs Brokers Limited	Comprehensive Distributors Division of Canadian Manoir Industries Limited
Eastern Sound Company Limited	
Teleprint of Chicago, Inc.	
Teleprint of Los Angeles, Inc.	
Teleprint of New York, Inc.	

(ii) All significant inter-company transactions have been eliminated in the consolidated financial statements.

(iii) Translation of the accounts of U.S. subsidiaries both during the year and at December 31, 1974, was made at par.

(b) Inventories

Inventories are valued at the lower of first-in, first-out cost or net realizable value.

(c) Depreciation and Amortization

Provisions for depreciation are determined on either the straight-line basis or declining balance basis over the expected average useful lives of the asset groups. Leasehold improvements are amortized on a straight-line basis over the terms of their respective leases.

(d) Acquisitions

Acquisitions are accounted for by the purchase method of accounting. Goodwill, the excess cost over the fair value, as determined by the Directors, of the net tangible assets acquired, has been charged to Retained Earnings in the years in which acquisitions were made.

(e) Income Taxes

The Company provides for taxes on the basis of accounting income and timing differences between accounting income and taxable income are reflected in Deferred Income Taxes. The Company accrues for withholding tax on foreign income as earned.

(f) Contingent Claims Receivable

Receivables on contingent claims are recognized only when the amounts of such claims have been confirmed.

(g) Earnings per Share

The earnings per share calculations are based on the weighted average of common shares outstanding at the end of each month during the year. The dilutive effect on earnings per share of stock options outstanding is immaterial.

2. BANK ADVANCES

The Company's operating line of credit of $3,750,000 and its long-term bank loans are secured by certain accounts receivable and inventories and a first floating charge debenture of $6,000,000 covering all of the assets and property of the Company and certain of its subsidiaries. The Company has further agreed not to hypothecate the property, plant and equipment of the Company and certain of its subsidiaries without formal approval of the bank.

3. LONG-TERM DEBT

Payable by the Company:	
Bank loans —	
Bearing interest at 1½% in excess of prime bank rate, repayable in quarterly instalments of $88,000	$1,320,000
Bearing interest at 1¼% in excess of prime bank rate, repayable in quarterly instalments of $12,000	180,000
	$1,500,000
Payable by a Subsidiary:	
8.9% Loan from Industrial Development Bank, payable in monthly instalments of $2,000 plus interest, due 1978	76,000
	$1,576,000
Less — Current portion payable within one year	424,000
	$1,152,000

The loan from the Industrial Development Bank is secured by certain assets of a subsidiary.

4. EMPLOYEE BENEFIT PLANS

(a) Stock Option Plan

As of December 31, 1974, 19,700 common shares (12,200 at $2.25 per share and 7,500 at $3.60 per share) were reserved under a stock option plan for certain officers and employees of the Company and its subsidiaries. During 1974, 1,800 optioned shares were issued for a cash consideration of $4,050 and a total of 1,600 optioned shares were cancelled. When options are exercised, amounts received in excess of the par value of the common shares are credited to Contributed Surplus.

(b) Retirement Plan

The Company has a contributory retirement plan for certain officers and employees of the Company and its subsidiaries. The Company has provided $30,250 for the current cost of the plan. As of December 31, 1974, there is no unfunded past service liability with respect to the plan.

5. REORGANIZATION

In October, 1974, as part of an internal reorganization, the Company sold the assets, liabilities and operations of its Manoir International Division to its subsidiary, Mouton Processors Limited, and Supplementary Letters Patent have been applied for to change the name of Mouton Processors Limited to Manoir International Limited.

6. PLANT EXPANSION

The Company's subsidiary, General Freezer Limited, is currently engaged in a plant expansion estimated to cost $850,000 of which approximately $225,000 was incurred as of December 31, 1974, and is reflected in Property, Plant and Equipment.

7. REVENUE

Consolidated revenue is divided in the following proportions:

Manufacturing	53%
Trading	39
Service	8
	100%

8. STATUTORY INFORMATION

The following items have been included in Selling, General and Administrative Expenses:

Interest:	
Long-term debt	$220,194
Other, net	102,939
	$323,133

Remuneration of Directors and Officers:

As Directors		As Officers	
Number	Remuneration	Number	Remuneration
5	$10,800	3	$98,368

Two Officers were also Directors of the Company.

Feasibility

Canadian Manoir
INDUSTRIES LIMITED

DIRECTORS
T. H. Baker Victoria
S. G. Bickley Montreal
Pat Clever Toronto
G. Grahamslaw Toronto
D. L. Sinclair Toronto

OFFICERS
Pat Clever President
G. D. Scroggie Secretary
G. Grahamslaw Treasurer

BANKERS
Toronto Dominion Bank Toronto
Chase Manhattan Bank New York

REGISTRAR
Canada Permanent Trust Company Toronto

TRANSFER AGENT
Canada Permanent Trust Company Toronto

LAWYERS
Fraser & Beatty Toronto
Byers, Casgrain & Stewart Montreal
Guggenheimer & Untermyer New York

AUDITORS
Arthur Andersen & Co. Toronto

SHARE LISTING
The common shares of the Company are listed on the Toronto Stock Exchange.

HEAD OFFICE: 2 GLENGROVE AVE. WEST, TORONTO M4R 1N4 (416) 487-5363